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SUBJECT: BULGARIA'S LOOMING DEMOGRAPHIC SQUEEZE

¶1. (SBU) SUMMARY: Bulgaria is shrinking. Low birth rates, short life expectancy and persistent net outward migration have produced negative population growth, which, if not stemmed, will cause Bulgaria's current 7.2 million population to decline by nearly one-third by the year 2060. The Government of Bulgaria has enacted the usual array of family incentive programs to tackle the problem, and the demographic issue has become a central plank in political party platforms ahead of July national elections. But without significant additional efforts to increase inward migration and reverse a devastating brain drain that began in the early 1990's, Bulgaria will face a critical demographic situation in coming decades. End Summary.

¶2. (U) Bulgaria's population decline is rooted in low birth rates, short life expectancy and outward migration. Although the birth rate ticked up in recent years of high economic growth, current rates are still not high enough to overcome negative population trends. Life expectancy also lags behind EU averages. Chronic underinvestment in medical facilities, lack of health and wellness programs, traffic fatalities twice the rate of the EU (2007 est.) and a tradition of heavy smoking are causing the country to fall behind. Male life expectancy, for example, is only 69.48 years, compared to the EU average of 75.54 years.

¶3. (SBU) Net outward migration is the main driver of negative population growth. A brain drain that began in the early 1990's has continued. Opportunities offered to Bulgaria's best and brightest by the 2007 European Union accession have only exacerbated the trend. Twenty percent of Bulgarian college students currently go abroad to study, and of those, approximately 80 percent remain abroad, according to sociologist Zhivko Georgiev of Gallup International. In recent years Bulgaria has also lost blue collar workers to EU countries such as Spain, Greece and Italy, where they can more than triple their salaries. Polls show a majority of these laborers intend to return to Bulgaria eventually, but it is doubtful whether these returnees would be sufficient to reverse current trends. To date, anecdotal evidence suggests only a small influx of returning workers to the country, despite the current global economic downturn.

The Changing Face of Bulgaria

¶4. (U) Prospects for reversing the negative population growth are bleak. The Bulgarian National Statistical Institute (NSI) projects the country's population will continue to decline through the years 2010 - 2060. Estimates show a likely decrease from 7,528,103 in 2010 to 5,475,367 by 2060, representing a 27.3 percent fall in overall population. But these statistics do not tell the whole story. While overall population growth is -4.3 per one thousand residents, the rural population is declining at a much higher rate: -12.14 people per one thousand each year, accelerating

Bulgaria's transition from a highly rural to a primarily urban country.

¶15. (U) Bulgaria's ethnic composition is changing as well. The NSI predicts the overall population drop will be greatest among ethnic Bulgars. Ethnic Turks and Roma, the two largest minority groups, currently compose 9.4 percent and 4.7 percent of the population, respectively, according to the 2001 Census (Note: most analysts believe these numbers are actually much higher, with Turks and Roma now making up 13 and 10 percent of the population, respectively). Higher birth rates among these two groups will shift Bulgaria's demographic profile and change the economic and political landscape.

The Government Response: Not Up to the Task

¶16. (U) The current Socialist-led coalition government is addressing the demographic crisis with the typical array of family incentive programs. The centerpiece policy is the 2002 Family Allowances Act, a series of laws granting subsidies and leave benefits to boost the birth rate. For example, Bulgaria offers a one-time payment of 2,400 leva (1,714 USD) to mothers of twins and 3,600 leva (2,571 USD) for triplets. Student mothers receive a monthly subsidy of 240 leva (171.40 USD) while attending school and all mothers receive a one-time payment of up to forty five days of pay, proportionate to their salary at time of maternity leave. In addition, all major political parties have included the demographic crisis in their party platforms ahead of July national elections and advocate various family incentives. Unfortunately, with the impact of the global financial crisis

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finally being felt in this once high-flying Balkan Tiger economy, the next government will be hard pressed to keep current incentive programs, let alone expand them.

¶17. (SBU) Comment: The government could do much more to stem the population decline without additional financial outlays. Net inward migration remains negligible at best. Bulgaria grants citizenship and residency status to few immigrants each year, most of whom are ethnic Bulgarians from Romania, Ukraine and Moldova. Bulgaria has a weak tradition of integrating foreigners and refugees, and many prefer to move on to other EU countries with larger immigrant diasporas and potentially greater acceptance. A reformulation of immigration rules could increase Bulgaria's population and workforce. Even more important, the Government must turn Bulgaria into a place of optimism and opportunity. Years of exposure to endemic corruption, organized crime and compromised politicians have left Bulgarians with little optimism about future prospects inside the country. The best, brightest, and hardest working vote with their feet by moving abroad. Any government that tackles the country's rule of law issues head on has at least a chance of attracting Bulgarians back to the land they once left.

McEldowney